

RHODE ISLAND COMMERCE CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

May 23, 2016

The Board of Directors of the Rhode Island Commerce Corporation (the "Corporation") met on May 23, 2016 in Public Session, beginning at 5:00 p.m. at the offices of the Corporation, located at 315 Iron Horse Way, Suite 101, Providence, RI 02908, pursuant to the public notice of meeting, a copy of which is attached hereto as Exhibit A, as required by applicable Rhode Island law.

The following Directors were present and participated throughout the meeting as indicated: Governor Gina M. Raimondo, Mary Jo Kaplan, Jason Kelly, Mary Lovejoy, Ronald O'Hanley, Michael McNally, George Nee, Donna M. Sams and Vanessa Toledo-Vickers.

Directors absent were: Bernard Buonanno, Dr. Nancy Carriuolo, Tim Hebert and Karl Wadensten.

Also present were: Secretary of Commerce Stefan Pryor, Darin Early, Jeremy Licht and Thomas Carlotto.

1. CALL TO ORDER

The Governor called the meeting to order at 5:03 p.m. indicating that a quorum was present.

2. TO CONSIDER FOR APPROVAL THE PUBLIC SESSION MINUTES FOR THE MEETING HELD MAY 9, 2016.

Upon motion duly made by Ms. Toledo-Vickers and seconded by Mr. Hebert, the following vote was adopted:

VOTED: To approve the public session minutes for the meeting held on May 9, 2016.

Voting in favor of the foregoing were: Mary Jo Kaplan, Jason Kelly, Mary Lovejoy, Ronald O'Hanley, Michael McNally, George Nee, Donna M. Sams and Vanessa Toledo-Vickers.

Voting against the foregoing were: None.

3. TO CONSIDER PRINCIPLES FOR THE TAX INCREMENT FINANCING PROGRAM.

Mr. Early gave an overview of the principles noting the similarities

with the previously adopted principles for the Rebuild Rhode Island Tax Credit program.

He went on to explain the specifics of the principles that were modified in relation to the TIF program.

Upon motion duly made by Mr. Kelly and seconded by Ms. Toledo-Vickers, the following vote was adopted:

VOTED: To approve the Tax Increment Financing program principles as submitted to the Board.

Voting in favor of the foregoing were: Mary Jo Kaplan, Jason Kelly, Mary Lovejoy, Ronald O'Hanley, Michael McNally, George Nee, Donna M. Sams and Vanessa Toledo-Vickers.

Voting against the foregoing were: None.

A copy of the principles for the Tax Increment Financing program are annexed hereto as Exhibit B.

4. TO CONSIDER THE APPLICATION OF EXCHANGE ST. HOTEL, LLC FOR INCENTIVES UNDER THE TAX INCREMENT FINANCING PROGRAM.

Mr. Pickett introduced the principals of the applicant Jim and Jeff

Karam.

He went on to explain that the project is a proposed 120 room hotel in downtown Providence, which is anticipated to cost \$24.5 million. Mr. Pickett noted that the site is owned by the City of Providence and will result in environmental remediation. He indicated that there is an economic gap and the staff of the Corporation determined that the gap is \$3 million. Mr. Pickett discussed the rate of return with and without the incentive and that the incentive will permit a market rate of return.

Mr. Early asked the principals if they would discuss the project. Jim Karam (“Mr. Karam”) discussed the type of hotel (extended stay), room size and economics of the project. He noted that they have experience in the market developing hotels and without the incentives the project would not be undertaken.

Ms. Toledo-Vickers asked what the typical profile of guest is at an extended stay hotel.

Mr. Karam explained that most guests stay in excess of three days.

Mr. McNally asked if the applicant plans to hold the hotel as an asset or plans to sell. Mr. Karam responded that they plan to retain ownership and gave as examples their other hotels in Newport and Providence, which they have owned for over nine years.

Ms. Kaplan asked about contingency for parking. Mr. Karam indicated there would be twenty-four spaces on site and they have made arrangements with nearby lots for additional parking.

Secretary Pryor asked Mr. Karam to confirm that the TIF incentive would be sufficient to complete the project and that the applicant would not need any other incentives to complete and operate the project. Mr. Karam agreed that TIF incentive was sufficient to complete and operate the project.

Secretary Pryor also asked Mr. Pickett to confirm that the TIF revenue stream is 75% of the State's share of the hotel tax. Mr. Pickett explained that the TIF revenue stream is comprised of 75% of the State sales tax and 75% of the Corporation's share of the hotel tax. He indicated that the applicant will be responsible for financing a loan of \$3 million, which will be paid with the TIF revenue stream for a period not to exceed twenty years. Mr. Pickett also noted that the incentives are capped at 30% of project costs.

Mr. Kelly asked if Mr. Karam had insight into the likely interest rate on the \$3 million loan. Mr. Karam indicated that he expects that the interest rate will be 5.25%.

Mr. McNally indicated that the Investment Committee spent a significant amount of time reviewing the project and unanimously

recommended approval by the Board

Upon motion duly made by Ms. Sams and seconded by Mr. Kelly, the following vote was adopted:

VOTED: To approve Exchange Street Hotel, LLC for an incentive under the Tax Increment Financing Act, pursuant to the Resolution presented to the Board.

Voting in favor of the foregoing were: Mary Jo Kaplan, Jason Kelly, Mary Lovejoy, Ronald O'Hanley, Michael McNally, George Nee, Donna M. Sams and Vanessa Toledo-Vickers.

Voting against the foregoing were: None.

A copy of the Resolution is annexed hereto as Exhibit C.

5. TO CONSIDER THE APPLICATION OF IVORY ELLA, LLC FOR TAX CREDITS UNDER THE QUALIFIED JOBS INCENTIVE TAX CREDIT PROGRAM.

Secretary Pryor indicated that Ivory Ella is a social enterprise that is moving from Connecticut to Rhode Island.

Mr. Early introduced the company principals Ryan Duranso and Matt

Fiano.

Ms. Webber explained that Ivory Ella is an online retailer and ten percent of the company's profits go to a charity known as Save the Elephants. She noted that the company has donated approximately \$600,000 to date.

She went on to discuss the job creation of the company relocation, which will consist of the company moving nineteen employees to a facility in Westerly, Rhode Island and adding an addition eleven full-time employees in the coming years. Ms. Webber indicated that the company is seeking a credit for five years with a commitment period of six years. She explained that the estimated tax credits will be approximately \$360,000.

Secretary Pryor noted that the full-time employees referenced by Ms. Webber are a subset of the total employees moving with the company, which subset is based upon the median wage requirements under the Qualified Jobs Incentive statute. He asked Mr. Duranso to further discuss the company's move and expansion plans.

Mr. Duranso indicated that the company will be moving approximately forty full-time employees and will be adding an additional twenty full-time employees, but not all meet the median income requirements under the statute.

There was a dialogue between the company principals and board members regarding business challenges facing the company as it continues to grow.

Upon motion duly made by Ms. Kaplan and seconded by Mr. O'Hanley, the following vote was adopted:

VOTED: To approve Ivory Ella, LLC for an incentive under the Qualified Jobs Incentive Act of 2015, pursuant to the Resolution presented to the Board.

Voting in favor of the foregoing were: Mary Jo Kaplan, Jason Kelly, Mary Lovejoy, Ronald O'Hanley, Michael McNally, George Nee, Donna M. Sams and Vanessa Toledo-Vickers.

Voting against the foregoing were: None.

A copy of the Resolution is attached hereto as Exhibit D.

6. TO CONSIDER THE APPLICATION OF UNION MILL, LLC FOR TAX CREDITS UNDER THE REBUILD RHODE ISLAND TAX CREDIT PROGRAM

Mr. Pickett explained that Pontiac Mills is a \$34.5 million project located in Warwick and is a redevelopment of multi-building mill

complex. The applicant is seeking a \$3.6 million tax credit and a sales tax rebate that will be in addition to the tax credits in an amount not to exceed \$500,000.

He explained that it is a mixed-use project and gave an overview of the commercial and residential mix.

Ms. Lovejoy asked Mr. Pickett to explain the deferred developer fee.

Mr. Pickett indicated that deferring a developer fee is a standard mechanism for a developer to contribute equity. He explained that the developer will be contributing 100% of the fee in this project.

Ms. Kaplan asked about the risk of the retail component. Mr. Pickett indicated that the retail use is likely to be a brew pub, which is more of a destination use than other retail uses.

Mr. McNally asked about a return to the Corporation. Mr. Pickett explained that there will be a waterfall component to the agreement with the Corporation providing for a return in the event the project performs better than expected.

Upon motion duly made by Ms. Toledo-Vickers and seconded by Mr. McNally, the following vote was adopted:

VOTED: To approve Union Mill, LLC for an incentive under the

Rebuild Rhode Island Tax Credit Act, pursuant to the Resolution presented to the Board.

Voting in favor of the foregoing were: Mary Jo Kaplan, Jason Kelly, Mary Lovejoy, Ronald O'Hanley, Michael McNally, George Nee, Donna M. Sams and Vanessa Toledo-Vickers.

Voting against the foregoing were: None.

A copy of the Resolution is attached hereto as Exhibit E.

7. TO CONSIDER THE ISSUANCE OF THE RHODE ISLAND COMMERCE CORPORATION GRANT ANTICIPATION REFUNDING BONDS (RHODE ISLAND DEPARTMENT OF TRANSPORTATION), SERIES 2016 A IN THE APPROXIMATE AMOUNT OF \$270,000,000.

Mr. Early introduced Steve Maceroni of PFM, the Corporation's financial advisor, to discuss the conduit issuance of bonds.

Mr. Maceroni gave a brief overview of the Rhode Works program recently adopted, which included a refunding component that is presently under consideration by the Board. He noted that the authorization sought is for up to \$270,000,000 in refunding bonds.

Mr. Maceroni explained that the bonds are to be paid with federal funds and the ratings will remain the same. He also noted that the

debt service coverage will remain above a four.

Ms. Lovejoy asked if there will be any pre-payment penalty and the amount of the savings.

Mr. Maceroni noted there will not be any pre-payment penalty and there is anticipated to be a net present value savings of approximately \$2.4 million. He also indicated that restructuring will free up about \$40 million of debt service in each of the next three years, which will be used for funding construction projects under the Rhode Works program.

Mr. Kelly explained that the Access to Capital committee of the Board had reviewed the proposed issuance and unanimously recommended approval to the Board.

Upon motion duly made by Ms. Sams and seconded by Mr. O'Hanley, the following vote was adopted:

VOTED: To authorize the issuance of the Rhode Island Commerce Corporation Grant Anticipation Refunding Bonds (Rhode Island Department of Transportation), Series 2016 A, pursuant to the Resolution submitted to the Board.

Voting in favor of the foregoing were: Mary Jo Kaplan, Jason Kelly, Mary Lovejoy, Ronald O'Hanley, Michael McNally, George Nee, Donna

M. Sams and Vanessa Toledo-Vickers.

Voting against the foregoing were: None.

A copy of the Resolution is attached hereto as Exhibit F.

8. TO CONSIDER THE ISSUANCE OF THE RHODE ISLAND COMMERCE CORPORATION AIRPORT REVENUE BONDS, 2016 SERIES D IN THE APPROXIMATE AMOUNT OF \$44,290,000 AND 2016 SERIES E IN THE APPROXIMATE AMOUNT OF \$3,400,000 AND CONSENT TO THE LEASING OF CERTAIN EQUIPMENT.

Mr. Early introduced Brian Schattle from the Rhode Island Airport Corporation.

Mr. Schattle indicated that the authorization sought is for the issuance of a new money bond, which is primarily to pay for RIAC's share of the funding for the airport runway extension. He noted that federal funding will make up the balance of funding for the runway extension. Mr. Schattle also highlighted the other projects that will be undertaken with the balance of the funding from the bond issuance.

He also noted that the Access to Capital committee of the Board had unanimously recommended approval of the issuance.

Mr. Schattle concluded by discussing the leasing of equipment and the need for the consent of the Corporation thereto.

Upon motion duly made by Mr. O'Hanley and seconded by Mr. Nee, the following vote was adopted:

VOTED: To authorize the issuance of the Rhode Island Commerce Corporation Airport Revenue Bonds, 2016 Series D in the approximate amount of \$44,290,000 and 2016 Series E in the approximate amount of \$3,400,000 and consent to the leasing of certain equipment, pursuant to the Resolutions submitted to the Board.

Voting in favor of the foregoing were: Mary Jo Kaplan, Jason Kelly, Mary Lovejoy, Ronald O'Hanley, Michael McNally, George Nee, Donna M. Sams and Vanessa Toledo-Vickers.

Voting against the foregoing were: None.

Copies of the Resolutions are attached hereto as Exhibit G.

9. TO CONSIDER A MARKETING PARTNERSHIP WITH THE RHODE ISLAND BLACK BUSINESS ASSOCIATION.

Mr. Jennings gave an overview of the Rhode Island Black Business Association ("RIBBA"), which is an advocacy organization for its

constituents. He noted that RIBBA provides, among other things, business education, seminar and advocates at that state and local level.

Mr. Jennings explained that the authorization sought is for funding in an amount of \$10,000 primarily to update RIBBA's website to showcase economic development programs and services including those offered by the Corporation as well as holding several joint seminars with the Corporation.

Ms. Sams asked how these types of joint marketing collaborations are tracked. Mr. Jennings indicated that some metrics that will be tracked include number of referrals, number of companies assisted, number of attendees at seminars and website traffic.

Ms. Toledo-Vickers asked if the money would be paid all upfront. Mr. Jennings indicated that would not be the case and that there would be performance based milestones for distribution of the funding.

There was an additional dialogue between Ms. Sams and Mr. Jennings relative to developing mechanisms to further engagement and support for small businesses.

Upon motion duly made by Mr. O'Hanley seconded by Ms. Kaplan, the following vote was adopted:

VOTED: To authorize a partnership with the Rhode Island Black Business Association and the expenditure of up to \$10,000 in the discretion of the Chief Operating Officer in relation thereto.

Voting in favor of the foregoing were: Mary Jo Kaplan, Jason Kelly, Mary Lovejoy, Ronald O'Hanley, Michael McNally, George Nee, Donna M. Sams and Vanessa Toledo-Vickers.

Voting against the foregoing were: None.

**10. MULTI-AGENCY BUSINESS ASSISTANCE EXAMPLE:
DESCRIPTION AND DISCUSSION.**

Secretary Pryor gave a brief overview of the cooperative effort by the Corporation and State agencies in assisting Ascensus in locating an office in Rhode Island and creating new jobs in the State.

Secretary Pryor introduced Kevin Cox of Ascensus to discuss the outcome of a collaboration among the State's agencies and Ascensus. He noted that Ascensus is opening a new location in Rhode Island and will be administering Rhode Island's 529 college savings plan.

Mr. Cox gave a brief overview of Ascensus and the decision to open an office in the State in relation to management of the plan. He noted that access to the labor pool in Rhode Island and access to graduates

from local universities and colleges as well as cost considerations were significant motivating factors in deciding to expand its operations by locating in Rhode Island.

He discussed the compressed time-frame of five months for site selection, leasing, build-out and hiring thirty-five new employees. Mr. Cox identified the support from the Corporation and state agencies as instrumental in the site selection process as well as the recruiting of new employees making the move in such a compressed time-frame possible. He explained that candidate pool in Rhode Island was the best they have seen in years and they were able to fill their positions within two days.

Mr. Nee asked where the location in Rhode Island. Mr. Cox indicated that the company chose a site in Warwick and entered into a seven-year lease.

11. TO CONSIDER FOR APPROVAL THE EXECUTIVE SESSION MINUTES FOR THE MEETINGS HELD APRIL 25, 2016 AND MAY 9, 2016.

VOTED: Pursuant to Rhode Island General Laws Section 42-46-5(a)(2) and (a)(7), the Board shall enter into executive session to approve the Executive Session minutes.

Voting in favor of the foregoing were: Mary Jo Kaplan, Jason Kelly, Mary Lovejoy, Ronald O’Hanley, Michael McNally, George Nee, Donna M. Sams and Vanessa Toledo-Vickers.

Voting against the foregoing were: None.

The Board of Directors, staff and counsel entered into the executive session at 6:06 p.m.

The public session reconvened at 6:09 p.m.

Upon motion duly made by Mr. O’Hanley seconded by Ms. Sams, the following vote was adopted:

VOTED: That the minutes of the Executive Session shall be sealed.

Voting in favor of the foregoing were: Mary Jo Kaplan, Jason Kelly, Mary Lovejoy, Ronald O’Hanley, Michael McNally, George Nee, Donna M. Sams and Vanessa Toledo-Vickers.

Voting against the foregoing were: None.

Mr. Carlotto indicated that the Board unanimously voted to approve the Executive Session Minutes for the meetings held April 25, 2016 and May 9, 2016.

Vote to adjourn.

There being no further business in Public Session, the meeting was adjourned by unanimous consent at 6:11 p.m. upon motion made by Ms. Lovejoy and seconded by Mr. McNally.